



**BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM**

WASHINGTON, D. C. 20551 DIVISION OF BANKING SUPERVISION  
AND REGULATION

**SR 06-11 July  
28, 2006**

**TO THE OFFICER IN CHARGE OF  
SUPERVISION AND APPROPRIATE  
SUPERVISORY AND EXAMINATION STAFF  
AT EACH FEDERAL RESERVE BANK AND  
EACH DOMESTIC AND FOREIGN  
BANKING ORGANIZATION SUPERVISED  
BY THE FEDERAL RESERVE**

**SUBJECT: Release of the Revised  
Federal Financial Institutions  
Examination Council Bank Secrecy  
Act/Anti-Money Laundering Examination  
Manual**

The Federal Financial Institutions Examination Council (FFIEC) issued today a revised *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual*. The revised manual reflects the ongoing commitment of the federal banking agencies and the Financial Crimes Enforcement Network (FinCEN) to provide current and consistent risk-based guidance for banking organizations to comply with the BSA and safeguard operations from money laundering and terrorist financing.<sup>+</sup> The manual has been updated to further clarify supervisory expectations and incorporate regulatory changes since the manual's 2005 release.

The attached statement from the federal banking agencies and FinCEN outlines the significant revisions and updates to the manual that include: risk assessment, automated clearing house transactions, trade finance activities, regulatory and supervisory guidance, emerging money laundering risks, and reformatting of the manual.

As with the 2005 *FFIEC BSA/AML Examination Manual*, the revised manual

does not set new standards; instead, it is a compilation of existing regulatory requirements, supervisory expectations, and sound practices in the BSA/AML area. To foster consistency, the manual includes the examination procedures that will be used by each agency's examiners and will be provided to state banking agencies. The manual underscores the importance of banking organizations effectively managing their BSA/AML risk (i.e., the risk of abuse by money launderers or terrorist financiers) by developing BSA/AML compliance programs tailored to their organizations' risk profiles. Similarly, banking organizations are expected to establish risk-based programs to comply with the requirements of the Office of Foreign Assets Control (OFAC). The development of strong, risk-based programs should enable banking organizations to assure effective risk management and efficient use of resources.

In order to provide examiners the ability to tailor each examination to the profile of a specific banking organization, the manual uses a "core" and "expanded" format. The core sections are the foundation for all BSA/AML reviews. They include guidance and procedures for examination scoping and planning, and for reviewing the components of the BSA compliance program, other BSA/AML requirements, and policies and procedures to support compliance with the sanctions administered by OFAC.<sup>2</sup>

The expanded sections allow an examiner to tailor the examination scope by selecting procedures relevant to the risk profile of the banking organization. The expanded sections provide detailed guidance and discussions on specific lines of business, products, or entities that may present unique BSA/AML challenges and exposures for which banks should appropriately tailor policies, procedures, and processes. Importantly, the expanded procedures include a section on enterprise-wide BSA/AML compliance, which is increasingly important for large banking organizations that provide a wide variety of financial services.

Federal Reserve examiners should begin using the examination procedures as set forth in the manual for all BSA/AML examinations beginning August 1, 2006. With the release of the manual, the 2005 *FFIEC BSA/AML Examination Manual* is now retired.

Reserve Banks are asked to distribute this SR letter to the chief executive officers of domestic and foreign banking organizations supervised by the Federal Reserve, as well as to supervisory and examination staff. Questions concerning the *FFIEC BSA/AML Examination Manual* should be addressed to Bridget M. Spaniel, Senior Special Anti-Money Laundering Examiner,

(202) 728-5827, or Suzanne L. Williams, Manager, BSA/AML Risk Section,

(202) 452-3513.

Roger T. Cole Acting Director

Attachments: ○ *FFIEC BSA/AML Examination Manual*

- **Interagency Statement** Board of Governors of the Federal Reserve System Federal Deposit Insurance Corporation National Credit Union Administration Office of the Comptroller of the Currency Office of Thrift Supervision

Financial Crimes Enforcement Network **Supersedes: SR letter**

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**Notes:**

1 The federal banking agencies are the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision. In addition, through the Conference of State Bank Supervisors, the state banking agencies played a consultative role in the preparation of the revisions.

2 The federal banking agencies consulted with OFAC in the development of these sections of the manual.

**Board of Governors of the Federal Reserve System Federal Deposit Insurance Corporation  
National Credit Union Administration Office of the Comptroller of the Currency Office of Thrift  
Supervision Financial Crimes Enforcement Network**

**The 2006 Revisions to the Bank Secrecy Act/Anti-Money Laundering Examination Manual**

July 28, 2006

The Federal Financial Institutions Examination Council (FFIEC) today released the revised Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual. The revised manual reflects the ongoing commitment of the federal banking agencies and the Financial Crimes Enforcement Network (FinCEN) to provide current and consistent guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA and safeguard operations from money laundering and terrorist financing. The manual has been updated to further clarify supervisory expectations and incorporate regulatory changes since the manual's 2005 release. The revisions also draw upon feedback from the banking industry and examination staff.

The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision revised the manual in collaboration with FinCEN, the delegated administrator of the BSA. The Conference of State Bank Supervisors served in a consultative role. The Office of Foreign Assets Control (OFAC) collaborated on the revisions made to the section that addresses compliance with regulations enforced by OFAC.

Revised sections within the 2006 version of the manual are noted in the table of contents. Significant revisions and updates to the manual include:

**Risk Assessment** – Enhanced the discussion of the risk assessment process to offer additional guidance on evaluating and developing a BSA/AML risk assessment.

**Automated Clearing House (ACH) Transactions** – Created a new ACH Transactions section (with parallel updates to the OFAC section) to provide guidance to examiners assessing the adequacy of a bank's systems to manage the risks associated with ACH activities.

**Trade Finance Activities** – Revised the overview and related examination procedures to include additional guidance on trade finance gathered from industry and subject matter experts.

**Regulatory and Supervisory Guidance** – Updated to include changes in regulations and supervisory guidance in the following manual sections: Suspicious Activity Reporting, Foreign Correspondent Account Recordkeeping and Due Diligence, Private Banking Due Diligence Program, Insurance, and Politically Exposed Persons.

**Emerging Money Laundering Risks** – Incorporated certain information from the *U.S. Money Laundering Threat Assessment* relating to nominee incorporation services and stored value cards.

**Reformatting of the manual** – Changed the organization and structure of the manual to combine the overview with the procedures sections, and added more distinctive headings. Stylistic changes were made to make the document more user-friendly.

To brief the banking industry and examination staff on the changes to the manual, the federal banking agencies and FinCEN are planning to host teleconference calls in early September. Banking organizations are encouraged to participate in these voluntary sessions. Registration details for the industry conference calls will be communicated through a separate notice.

The 2006 version of the manual is located on the FFIEC BSA/AML InfoBase at:  
[http://www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm).